Weekly Economic Review

Employment drops in August

Labour Force

Service sector leads job losses

Employment in Alberta declined by 13,400 jobs in August. All of the job losses were in the service sector, where employment fell by 16,700 jobs (Chart 1). The greatest decline was in trade industries, which fell by 10,000 jobs after adding 14,000 in July. Employment in public administration, healthcare and social assistance also dropped substantially. Not all service-producing industries fared so poorly, with transportation & warehousing services and professional, scientific and technical services each adding over 10,000 jobs. Employment in the goods-producing sector increased modestly. With the job losses, the unemployment rate rose by 0.2 percentage points to 4.9%.

Despite the decline, Alberta continues to have one of the healthiest job markets in the country. Over the past 12 months, employment growth in Alberta has been higher than any other province, both in terms of the number of jobs added, 37,800, and the rate of growth, 1.7%. Nationally, employment declined by 11,000 jobs, with losses concentrated in Alberta and Ontario. The unemployment rate remained flat at 7.0%.

Residential Construction

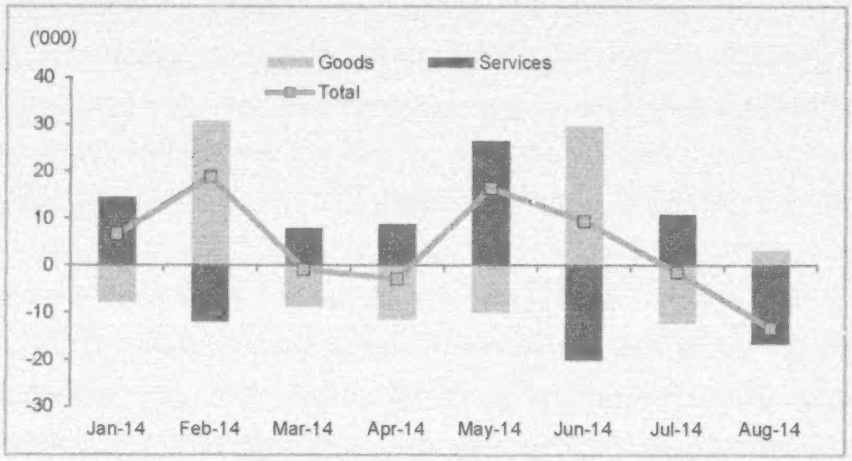
Renovations buoy investment

Investment in residential construction in the second quarter was 16.8% higher than the second quarter of 2013, the fastest year-over-year (y/y) growth among Canadian provinces. Growth was lifted by renovations (+30.6% y/y), which have been elevated for three quarters. The repair of damaged homes in southern Alberta following the flood has contributed to this increase.

Investment in new dwellings was up 11.9% y/y, spurred by single-attached (rows & doubles), and apartments, paralleling what has been seen in housing starts (Chart 2). Canadian residential investment has struggled over the last year, but grew 2.3% y/y in the second quarter thanks to strength in renovations.

Chart 1: August job losses were concentrated in services

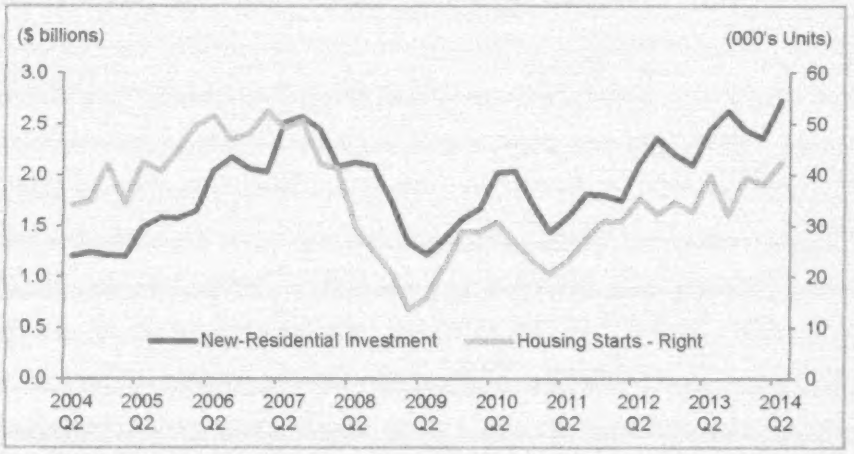
Monthly change in employment



Source: Statistics Canada

Chart 2: Alberta residential investment parallels housing starts

New dwelling residential investment and housing starts



Source: Statistics Canada

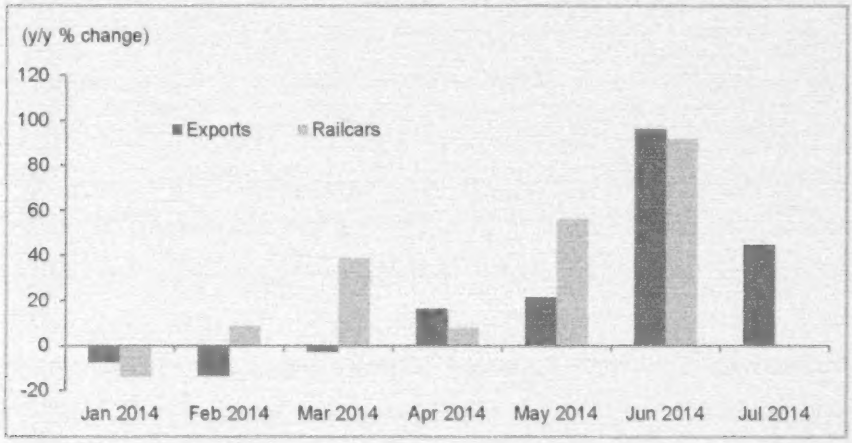
International Merchandise Trade

Energy and food products lead export growth

The value of Alberta's merchandise exports was $10.4 billion in July, up 19.1% from July 2013. Energy exports increased 19.7% y/y and continue to trend well above last year's levels. While energy exports increased more in dollar terms, farm fishing and intermediate food exports grew at a higher rate, up 44.5% y/y. This is partly due to exports recovering after the southern Alberta floods shutdown food processing facilities last June. This year, exports have benefited from improved rail transportation of grain (Chart 3), which has allowed for a substantial draw-down in the inventories built up after last year's bumper crop. Forestry also had strong year-over-year growth as a gradual improvement in US housing investment has caused producers to expand outside the domestic market. Year-to-date goods exports have expanded 21.2%.

Chart 3: Railcar movements aid farm & food exports

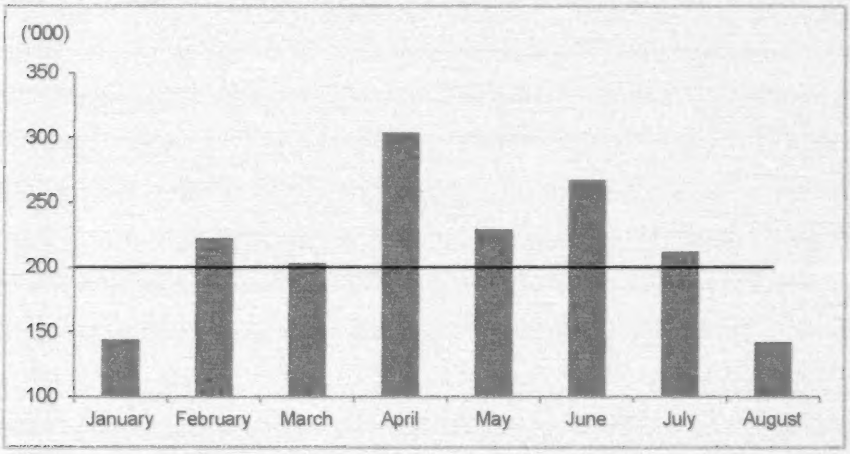
Farm & food product exports and railcar loadings



Source: Statistics Canada

Chart 4: The US ends streak of job gains over 200,000

Monthly change in US employment for 2014



Source: Bureau of Labor Statistics

US Employment Situation

Employment growth softens

The US added 142,000 jobs in August, the weakest month of job gains since December 2013. This ends a streak of six straight months with gains exceeding 200,000 jobs per month (Chart 4). Employment was up 1.8% over August 2013. The unemployment rate was largely unchanged, falling slightly to 6.1%, down 1.1 percentage points in the last year. The labour force participation rate ticked down by 0.1 percentage points to 62.8%, a 30-year low.

European Central Bank (ECB)

ECB moves against deflation

The ECB announced that it would lower its target interest rate by 10 basis points to 0.05% in an attempt to restore growth to a sluggish EU economy and forestall deflation. In addition, the ECB announced that it will begin open market purchases of financial assets ("Quantitative Easing") in October 2014. The full details of the planned asset purchases have yet to be released. The ECB noted its willingness to introduce additional initiatives if the need arises. The announced stimulus measures went further than markets expected leading to a depreciation of the Euro and an increase in European stock prices.

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.